

News Release



Controller of the State of California - Kathleen Connell

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For Immediate Release

STATE CONTROLLER KATHLEEN CONNELL WARNS CALIFORNIA MAY HAVE INSUFFICIENT CASH IN THE NEXT FISCAL YEAR (2002-03) TO MEET THE EXPENDITURES AT THE LEVEL PROPOSED IN THE GOVERNOR'S BUDGET

Sacramento, CA, January 22, 2002 – State Controller Kathleen Connell today released the State's cash flow analysis resulting from the Governor's proposed Budget for Fiscal Year 2002-03.

"It appears the Governor's Budget is based on overly-optimistic revenue projections and receipt of Federal funds," stated Connell. "If the Legislature adopts the Governor's Budget, it is highly likely we will be in a situation to have to issue a Revenue Anticipation Note of up to \$5 billion."

Controller Connell released cash flow information that reveals there is not enough money to cover the State's expenses for Fiscal Year 2002-03 and that serious steps need to be taken to fix the situation.

Controller Connell's analysis differs from the Governor's proposed Budget and the Legislative Analyst's Report in that her analysis is based on the State's cash flow, using projections of revenue and expenditures and factoring in all the expenses the Governor has in his proposed Budget.

The Controller noted that the Governor's budget called for an increase in major tax receipts of 9.93%, growth rate that is unlikely to occur in a recessionary period. The Controller also said the Governor's estimates for the receipt of Federal funds is too high, and his expenditures for Prop 98 expenditures is too low. After making these adjustments and working them into the State's cash flow projections, Connell said there will not be enough money to pay for the Governor's budget proposal.

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